

EAST TIMOR: AUSTRALIAN PRIME MINISTER'S STATEMENT TO PARLIAMENT

FROM THE DEPARTMENT OF THE PRIME MINISTER AND CABINET

FOLLOWING IS THE HANSARD RECORD OF A MINISTERIAL STATEMENT BY THE PRIME MINISTER TO THE HOUSE OF REPRESENTATIVES ON EAST TIMOR, INTERFET AND THE TEMPORARY DEFENCE-EAST TIMOR LEVY, DELIVERED ON 23 NOVEMBER 1999.

TEXT BEGINS

MR HOWARD (BENNELONG-PRIME MINISTER) (3.03 P.M.) -BY LEAVE-TODAY I INFORM THE HOUSE THAT THE GOVERNMENT HAS DECIDED ON THE FORMATION OF TWO ADDITIONAL INFANTRY BATTALIONS FOR THE AUSTRALIAN ARMY AS WELL AS OTHER FORCE ADDITIONS. THESE DECISIONS FLOW DIRECTLY FROM AUSTRALIA'S INVOLVEMENT IN EAST TIMOR. I ALSO REPORT TO THE HOUSE ON THE IMPRESSIVE PROGRESS MADE TO DATE BY THE INTERFET MULTINATIONAL FORCE IN EAST TIMOR, SO ABLY AND EFFECTIVELY LED BY AUSTRALIA. FURTHERMORE, I WILL EXPLAIN THE DETAILS OF A TEMPORARY REVENUE MEASURE, FOR THE NEXT FINANCIAL YEAR ONLY, TO COVER THE UNEXPECTED COSTS OF THE MILITARY DEPLOYMENT BY OUR NATION IN EAST TIMOR.

ON 21 SEPTEMBER, I ADVISED PARLIAMENT OF THE DEPLOYMENT OF AUSTRALIAN TROOPS AS PART OF INTERFET, THE MULTINATIONAL FORCE MANDATED BY THE UNITED NATIONS, TO RESTORE ORDER IN EAST TIMOR. I AM PLEASED TO REPORT THAT, IN THE INTERVENING TWO MONTHS, INTERFET HAS LARGELY ACHIEVED THE TASKS THE UNITED NATIONS SET IT: TO RESTORE PEACE AND SECURITY TO EAST TIMOR, TO PROTECT THE UNITED NATIONS MISSION IN EAST TIMOR AND TO FACILITATE HUMANITARIAN RELIEF.

IN THIS PERIOD ALSO, EAST TIMOR'S POLITICAL STATUS WAS SETTLED. ON 19 OCTOBER, THE PEOPLE'S CONSULTATIVE ASSEMBLY IN INDONESIA AGREED TO THE SEPARATION OF EAST TIMOR FROM THE REPUBLIC OF INDONESIA, THUS RESPECTING THE VOTE EAST TIMOR'S PEOPLE FREELY EXERCISED IN THE UNITED NATIONS BALLOT ON 30 AUGUST. EAST TIMOR IS NOW UNDER THE TRANSITIONAL AUTHORITY OF THE UNITED NATIONS UNTIL ITS FULL INDEPENDENCE IS ACHIEVED IN TWO OR THREE YEARS TIME. THE DAY AFTER ITS DECISION ON EAST TIMOR, THE ASSEMBLY ELECTED ABDURRAHMAN WAHID AS PRESIDENT AND MEGAWATI SUKARNOPUTRI AS VICE-PRESIDENT. THESE STEPS UNDERLINE THE ENORMOUS DISTANCE INDONESIA HAS TRAVELLED TOWARDS DEMOCRACY OVER THE PAST 12 MONTHS.

INTERFET'S ACHIEVEMENT OF ITS MANDATE HAS BEEN AN OUTSTANDING SUCCESS. IT REFLECTS VERY WELL INDEED ON AUSTRALIA'S LEADERSHIP, THE INTERNATIONAL SUPPORT THE FORCE HAS RECEIVED, THE GOOD COOPERATION AMONG CONTRIBUTING COUNTRIES AND, ABOVE ALL, THE PROFESSIONALISM OF THE SERVICE MEN AND WOMEN IN THE FORCE. SOLDIERS, SAILORS AND AIRCREW FROM 17 NATIONS ARE WORKING TOGETHER EFFECTIVELY. THE FORCE NOW NUMBERS OVER 9,900, INCLUDING 4,400 FROM AUSTRALIA'S COALITION PARTNERS.

COUNTRIES IN AUSTRALIA'S REGION HAVE MADE A STRONG CONTRIBUTION TO INTERFET. THE PHILIPPINES, SINGAPORE, THAILAND, MALAYSIA AND SOUTH KOREA ARE PARTICIPATING. THAILAND HAS PROVIDED THE DEPUTY COMMANDER, MAJOR GENERAL SONGKITTI, AND THE SECOND LARGEST CONTINGENT OF FORCES. THE GOVERNMENT IS PARTICULARLY GRATEFUL TO THE PRIME MINISTER AND THE PEOPLE OF THAILAND FOR THEIR SUPPORT. WE THANK JAPAN, WHICH, UNABLE

TO COMMIT TROOPS FOR CONSTITUTIONAL REASONS, IS PROVIDING \$US100 MILLION TO PAY THE COST OF DEVELOPING COUNTRY CONTRIBUTORS TO INTERFET. CHINA HAS BEEN SUPPORTIVE THROUGHOUT THE UN PROCESS. NEW ZEALAND'S CONTRIBUTION REPRESENTS ITS LARGEST DEPLOYMENT OF FORCES ABROAD SINCE WORLD WAR II, AND I WOULD LIKE TO EXPRESS MY PARTICULAR THANKS TO MRS SHIPLEY FOR THE LEADERSHIP SHE DISPLAYED.

COUNTRIES BEYOND THE IMMEDIATE REGION HAVE ALSO MADE A SUBSTANTIAL CONTRIBUTION TO INTERFET. THE UNITED STATES HAS PROVIDED CAPABILITIES WHICH ARE ESSENTIAL TO THE MISSION'S OPERATIONS AND WOULD OTHERWISE HAVE BEEN DIFFICULT TO SECURE. ITS READY SUPPORT FOR AUSTRALIA'S LEADERSHIP OF INTERFET HAS UNDERLINED THE EFFECTIVENESS OF THE ANZUS ALLIANCE. WE WERE GRATEFUL FOR THE UNITED KINGDOM'S PROMPT RESPONSE IN SENDING A COMPANY OF COMBAT TROOPS AND NAVAL ASSETS AT THE VERY BEGINNING OF THE OPERATION. CANADA, BRAZIL, FRANCE, GERMANY, IRELAND, ITALY, NORWAY AND PORTUGAL HAVE ALL MADE VALUABLE CONTRIBUTIONS. DENMARK, EGYPT, FIJI, JORDAN AND KENYA HAVE COMMITTED TO SEND FORCES.

TO DATE, INTERFET FORCES HAVE SUSTAINED ONLY TWO CASUALTIES. WE WERE PLEASED AND RELIEVED THAT BOTH THESE AUSTRALIANS ARE MAKING A FULL RECOVERY. THERE HAVE ALSO BEEN SIX MILITIA DEATHS AND A NUMBER OF MILITIA CASUALTIES. THIS LOSS OF LIFE IS REGRETTEED, BUT IN EACH CASE THE INCIDENTS DID RESULT FROM ATTACKS ON INTERFET. SINCE THESE EVENTS THE SECURITY ENVIRONMENT IN EAST TIMOR HAS GREATLY IMPROVED. INTERFET HAS CONSOLIDATED ITS CONTROL THROUGHOUT THE MANDATED AREA, INCLUDING THE OECUSSI ENCLAVE. DILI IS RETURNING TO NORMAL LIFE. MORE THAN HALF ITS DISPLACED RESIDENTS HAVE RETURNED, AND WORK ON REBUILDING THE CITY'S SHATTERED INFRASTRUCTURE HAS BEGUN. THE LAST INDONESIAN TROOPS AND OFFICIALS LEFT EAST TIMOR ON 31 OCTOBER.

INTERFET'S SUCCESS IN PROVIDING SECURITY HAS PROVIDED THE BASIS FOR ACHIEVING ITS SECOND AND THIRD GOALS: PROTECTING THE UN MISSION AND FACILITATING THE PROVISION OF HUMANITARIAN ASSISTANCE. HUMANITARIAN ASSISTANCE IS REACHING ALL CORNERS OF EAST TIMOR, WITH GREATLY IMPROVED ACCESS FOR INTERNATIONAL RELIEF AGENCIES. THE UN OFFICE FOR THE COORDINATION OF HUMANITARIAN AFFAIRS, THE RED CROSS, WORLD VISION, CARE, CATHOLIC RELIEF, UNICEF, UNHCR AND OTHERS NOW HAVE OPERATIONS ON THE GROUND. THIS FINANCIAL YEAR, THE GOVERNMENT HAS PROVIDED AN INITIAL \$14 MILLION IN HUMANITARIAN ASSISTANCE TO EAST AND WEST TIMOR. AND YESTERDAY THE MINISTER FOR FOREIGN AFFAIRS ANNOUNCED A FURTHER \$23 MILLION IN HUMANITARIAN ASSISTANCE. INTERFET HAS CREATED THE CONDITIONS FOR HUNDREDS OF THOUSANDS OF EAST TIMORESE TO RETURN HOME AND TO START TO REBUILD THEIR LIVES. THE UNITED NATIONS ESTIMATES THAT MORE THAN 88,000 DISPLACED EAST TIMORESE HAVE NOW RETURNED.

THE GOVERNMENT IS STILL VERY CONCERNED, HOWEVER, ABOUT THE PLIGHT OF OVER 150,000 DISPLACED EAST TIMORESE WHO REMAIN IN WEST TIMOR AND ARE SUBJECT TO INTIMIDATION BY MILITIA. THE ONSET OF THE WET SEASON MAKES THEIR RETURN HOME URGENT. THE GOVERNMENT WELCOMES STATEMENTS FROM THE INDONESIAN GOVERNMENT THAT MILITIA GROUPS ARE TO BE DISARMED AND REMOVED FROM BORDER AREAS, AND THAT DISPLACED EAST TIMORESE WHO WISH TO RETURN ARE TO BE ALLOWED TO DO SO. UNFORTUNATELY, AS YET THIS HAS ONLY HAPPENED IN SOME AREAS. THE GOVERNMENT WILL PURSUE THIS ISSUE VIGOROUSLY WITH THE INDONESIAN GOVERNMENT, THE UN SECRETARY-GENERAL, OTHER GOVERNMENTS AND THE APPROPRIATE RELIEF AGENCIES.

WITH SECURITY LARGELY RESTORED, THE IMMEDIATE PRIORITIES REMAIN HUMANITARIAN: THE RETURN OF INTERNALLY DISPLACED PEOPLE AND THE

REBUILDING OF THEIR LIVES IN EAST TIMOR. EAST TIMOR AND THE UNITED NATIONS MUST ALSO NOW BEGIN WORK ON RECONSTRUCTION, RECONCILIATION AND NATION BUILDING. ON 25 OCTOBER, THE UN SECURITY COUNCIL PASSED RESOLUTION 1272, WHICH ESTABLISHES A UNITED NATIONS TRANSITIONAL AUTHORITY, UNTAET, TO PREPARE EAST TIMOR FOR INDEPENDENCE AND PROVIDES FOR A UN PEACEKEEPING OPERATION TO TAKE OVER FROM INTERFET AS SOON AS POSSIBLE. IT IS ESSENTIAL THAT UNTAET MOVES QUICKLY TO SET UP EFFECTIVE POLITICAL, ECONOMIC AND SOCIAL STRUCTURES AND THAT UNTAET INVOLVES EAST TIMORESE AS MUCH AS IT CAN IN ITS WORK. THE GOVERNMENT WARMLY WELCOMES THE APPOINTMENT OF MR SERGIO VIEIRA DE MELLO AS HEAD OF UNTAET AND LOOKS FORWARD TO WORKING CLOSELY WITH HIM. WE ARE NOW DISCUSSING WITH THE UNITED NATIONS AN EARLY TRANSFER FROM INTERFET TO THE NEW UN PEACEKEEPING FORCE, TO BE MANAGED IN A WAY THAT FULLY MAINTAINS EAST TIMOR'S SECURITY. WE EXPECT THIS WILL OCCUR EARLY NEXT YEAR. INTERFET'S ROLE WILL END ONCE IT HANDS OVER RESPONSIBILITY FOR SECURITY IN EAST TIMOR TO THE UNITED NATIONS.

I AM SURE BOTH SIDES OF THE HOUSE, AND INDEED ALL AUSTRALIANS, WILL JOIN ME IN WARMLY COMMENDING THE FORCE COMMANDER, MAJOR GENERAL COSGROVE, AND THE AUSTRALIAN MEN AND WOMEN SERVING WITH HIM IN EAST TIMOR FOR THE OUTSTANDING JOB THEY HAVE DONE ON OUR BEHALF AND ON BEHALF OF THE UNITED NATIONS.

HONOURABLE MEMBERS -HEAR, HEAR!

MR HOWARD -ALL AUSTRALIANS WERE DEEPLY DISTRESSED BY THE SCENES OF VIOLENCE, DEATH AND DESTRUCTION IN EAST TIMOR THAT THEY WITNESSED DAILY AFTER THE RESULTS OF THE BALLOT WERE ANNOUNCED IN EARLY SEPTEMBER. AS I SAID IN MY ADDRESS TO THE NATION AT THE TIME, WE SENSED THAT A SMALL, VULNERABLE COMMUNITY WAS ABOUT TO BE DENIED THE FREEDOM IT HAD SOUGHT SO LONG AND THAT IT HAD VOTED SO OVERWHELMINGLY TO ACHIEVE. DESPITE THE PLEAS OF THE INTERNATIONAL COMMUNITY, THE INDONESIAN GOVERNMENT WAS UNABLE TO RESTORE ORDER AND THE UNITED NATIONS AUTHORISED A MULTINATIONAL FORCE TO DO SO WITH THE AGREEMENT OF INDONESIA.

AUSTRALIA ACTED BECAUSE IT WAS THE RIGHT THING THAT WE HELP PROTECT EAST TIMORESE FROM APPALLING VIOLENCE AND DESTRUCTION AND ALSO BECAUSE IT WAS IN AUSTRALIA'S NATIONAL INTEREST TO RESTORE STABILITY IN EAST TIMOR. THE MISSION WAS DANGEROUS AND THE RISKS TO OUR MEN AND WOMEN WERE HIGH, BUT THE AUSTRALIAN PEOPLE GAVE IT THEIR STRONG SUPPORT. IT REPRESENTS OUR LARGEST MILITARY INVOLVEMENT FOR MORE THAN 30 YEARS. THE AUSTRALIAN TROOPS IN EAST TIMOR ARE DOING A SPLENDID JOB AND ALL OF US ARE RIGHTLY PROUD OF EVERY ONE OF THEM. AUSTRALIA'S MILITARY INVOLVEMENT IN EAST TIMOR WILL NOT END WITH INTERFET. WE WILL MAKE A SUBSTANTIAL CONTRIBUTION TO THE FOLLOW-ON UN PEACEKEEPING OPERATION-IN THE ORDER OF 1,500 TROOPS.

INEVITABLY, SUCH A COMMITMENT TO EAST TIMOR HAS PUT ADDED PRESSURES ON OUR DEFENCE FORCE AND THE BUDGET. IN ORDER TO BE SURE THAT WE CAN SUSTAIN OUR COMMITMENT TO EAST TIMOR, THE GOVERNMENT HAS ACCEPTED A RECOMMENDATION FROM THE MINISTER FOR DEFENCE, BASED ON ADVICE FROM THE CHIEF OF THE DEFENCE FORCE AND THE SECRETARY OF DEFENCE, TO INCREASE THE NUMBER OF FULLY OPERATIONAL INFANTRY BATTALIONS IN THE ARMY FROM FOUR TO SIX FOR A PERIOD OF TWO YEARS. THE ARMY'S SIZE WILL GROW FROM 23,000 TO 26,000. THIS INCREASE IS REQUIRED TO SUSTAIN AUSTRALIA'S INVOLVEMENT IN THE PEACEKEEPING OPERATION AND TO MAINTAIN ACCEPTABLE LEVELS OF OVERALL DEFENCE READINESS.

ALTHOUGH THE EXTRA BATTALIONS HAVE BEEN RAISED TO MEET THE IMMEDIATE

EAST TIMOR REQUIREMENT, THEY COULD BE NEEDED ON AN ONGOING BASIS. A DECISION WILL BE TAKEN ON THIS IN THE CONTEXT OF THE GOVERNMENT'S DEFENCE WHITE PAPER NEXT YEAR. AIR FORCE NUMBERS WILL ALSO BE INCREASED BY ABOUT 500, TO JUST OVER 13,500, TO ALLOW FOR ADDITIONAL COMBAT SUPPORT PERSONNEL AND THE RAISING OF AN EXTRA AIRFIELD DEFENCE SQUADRON.

THE GOVERNMENT ESTIMATES THAT THE EXTRA DEFENCE COSTS FROM THE DEPLOYMENT OF FORCES TO EAST TIMOR, THE RAISING OF TWO NEW BATTALIONS AND ADDITIONAL AIR FORCE NUMBERS WILL AMOUNT TO \$907 MILLION IN 1999-2000, THE CURRENT FINANCIAL YEAR; \$1.089 BILLION IN THE YEAR 2000-01; AND \$901 MILLION IN 2001-02. AFTER THE TRANSITION FROM INTERFET TO THE UN PEACEKEEPING OPERATION, THE UNITED NATIONS WILL MAKE SOME REIMBURSEMENTS. BUT THESE REIMBURSEMENTS WILL COVER ONLY A SMALL PORTION OF THE COSTS OF THE DEPLOYMENT OF AUSTRALIAN FORCES IN EAST TIMOR AND NOT THE WIDER DEFENCE COSTS ASSOCIATED WITH THAT DEPLOYMENT.

AUSTRALIA'S SUPPORT FOR EAST TIMOR GOES WIDER THAN OUR INVOLVEMENT IN PEACEKEEPING AND PEACE ENFORCEMENT. THE GOVERNMENT WILL MAKE AVAILABLE \$60 MILLION DURING THE CURRENT FINANCIAL YEAR TO COVER ADDITIONAL AID NEEDS FOR EAST TIMOR. AUSTRALIA'S AID COMMITMENT FOR 2000-01 WILL BE CONSIDERED IN THE COMING YEAR'S BUDGET PROCESS. OTHER ADDITIONAL COSTS IN 1999-2000, THE CURRENT FINANCIAL YEAR, RELATING TO EAST TIMOR INCLUDE ASSISTANCE TO EVACUEES FROM EAST TIMOR TO AUSTRALIA, \$35 MILLION, AND DEPLOYMENT OF AUSTRALIAN FEDERAL POLICE AND POLICE FROM OTHER JURISDICTIONS AS PART OF THE UNITED NATIONS CIVILIAN PRESENCE, \$26 MILLION. ATTACHED TO THIS STATEMENT IS A TABLE SETTING OUT THESE ADDITIONAL COSTS.

THE GOVERNMENT WILL PRESENT TO PARLIAMENT BEFORE THE END OF THE YEAR A SPECIAL APPROPRIATION BILL TO COVER THE EXTRA DEFENCE AND AID EXPENSES FOR THE CURRENT FINANCIAL YEAR. THE GOVERNMENT'S MID-YEAR ECONOMIC AND FISCAL OUTLOOK HAS NOW BEEN COMPILED AND WILL BE RELEASED IN FULL BY THE TREASURER SHORTLY. WE KNOW, HOWEVER, FROM THE DETAILS TO HAND WHAT THE IMPACT OF THE ADDITIONAL COST OF THE EAST TIMOR OPERATION WILL BE ON THE BUDGET BALANCE BOTH FOR THIS AND SUBSEQUENT YEARS.

THE HOUSE WILL RECALL THAT I UNDERTOOK SOME WEEKS AGO TO OUTLINE FUNDING ARRANGEMENTS FOR THE TIMOR OPERATION WHEN DETAILS OF THE MID-YEAR ECONOMIC OUTLOOK WERE AVAILABLE. THIS I AM NOW DOING. IT IS CLEAR FROM THESE DETAILS THAT THE COST OF THE EAST TIMOR DEPLOYMENT PRESENTS A PARTICULAR DIFFICULTY IN THE NEXT FINANCIAL YEAR COMMENCING ON 1 JULY 2000. AT THE TIME OF THE MAY BUDGET THE UNDERLYING CASH BUDGET SURPLUS FOR 2000-01 WAS PROJECTED TO BE \$3.1 BILLION. THAT FIGURE HAS BEEN SIGNIFICANTLY REDUCED BY A NUMBER OF DEVELOPMENTS.

THE MAJOR ADDITIONAL ITEM WAS THE FURTHER COSTS TO THE BUDGET OF \$1.8 BILLION IN THE COMING FINANCIAL YEAR-THAT IS, 2000-01-FOR REVISIONS TO THE TAX PACKAGE THAT WERE NEGOTIATED WITH THE AUSTRALIAN DEMOCRATS TO SECURE ITS PASSAGE THROUGH THE PARLIAMENT. OTHER NECESSARY POLICY DECISIONS AND ADVERSE VARIATIONS TO ESTIMATES HAVE IMPOSED FURTHER COSTS TO THE BUDGET. THESE ADDITIONAL COSTS, COMBINED WITH THE DELAY IN RECEIPTS FROM THE SALE OF THE SECOND TRANCHE OF TELSTRA, HAVE ALSO LED TO SLOWER DEBT RETIREMENT AND HIGHER INTEREST REPAYMENTS ON OUTSTANDING DEBT, COSTING ABOUT \$500 MILLION IN 2000-01. IN THE ABSENCE OF EAST TIMOR, ALL OF THESE EXTRA COSTS COULD PROPERLY HAVE

BEEN ABSORBED WITHIN THE PROJECTED BUDGET SURPLUS FOR 2000-01.

THE DEFENCE EXPENDITURE RELATING TO EAST TIMOR OF ABOUT \$1.1 BILLION IN 2000-01, HOWEVER, FALLS INTO A DIFFERENT CATEGORY ALTOGETHER. SUCH AN EXTRAORDINARY ITEM OF ADDITIONAL EXPENDITURE COULD NOT REASONABLY HAVE BEEN EXPECTED AT BUDGET TIME. THEREFORE A SPECIAL PROVISION MUST BE MADE FOR ITS IMPACT IN THE YEAR 2000-01. THE ADDITIONAL EXPENDITURE ON THE EAST TIMOR DEFENCE EFFORT HAS A PARTICULARLY SEVERE IMPACT IN THE NEXT FINANCIAL YEAR. BY CONTRAST, IN THE CURRENT YEAR AND THE YEAR SUBSEQUENT TO 2000-01, EVEN AFTER EAST TIMOR COSTS HAVE BEEN ALLOWED FOR, THE BUDGET IS EXPECTED TO REMAIN IN HEALTHY SURPLUS.

AS A RESULT OF THE EXTRA COSTS SINCE LAST MAY, AND IN PARTICULAR THE UNEXPECTED DEFENCE COSTS RELATING TO EAST TIMOR OF AROUND \$1.1 BILLION IN THE 2000-01 FINANCIAL YEAR, IT IS CALCULATED THAT, WITHOUT ADDITIONAL MEASURES, THE BUDGET IN THAT YEAR-THAT IS, THE YEAR COMMENCING 1 JULY 2000-WILL RECORD AN UNDERLYING CASH DEFICIT OF APPROXIMATELY \$500 MILLION. THE GOVERNMENT IS NOT WILLING FOR THIS TO OCCUR. THE DAYS OF BUDGET DEFICITS SHOULD REMAIN FIRMLY BEHIND US. THE ECONOMIC CONSEQUENCES OF HIGH DEFICITS, PARTICULARLY THE PRESSURE THEY PLACE ON INTEREST RATES, SHOULD BE UNACCEPTABLE TO ALL HONOURABLE MEMBERS.

THE GOVERNMENT HAS DECIDED THEREFORE TO INTRODUCE A TEMPORARY DEFENCE-EAST TIMOR LEVY FOR 2000-01 ONLY. THIS LEVY WILL BE APPLIED AS AN ADDITION TO THE MEDICARE LEVY ON THE INCOME OF TAXPAYERS EARNING ABOVE \$50,000 A YEAR.

THE LEVY WILL BE SET AT 0.5 PER CENT FOR TAXPAYERS WITH AN INCOME OF BETWEEN \$50,000 AND \$100,000, AND AT ONE PER CENT FOR TAXPAYERS WITH INCOMES ABOVE \$100,000 A YEAR. THERE WILL BE APPROPRIATE SHADE-INS TO SMOOTH THE IMPACT ON TAXPAYERS EARNING JUST ABOVE \$50,000 AND \$100,000. THE LEVY WILL APPLY ONLY FOR A 12-MONTH PERIOD FROM 1 JULY 2000, ENDING ON 30 JUNE 2001.

APPLYING THE LEVY ON INCOMES ABOVE \$50,000 WILL PROTECT LOW- AND MANY MIDDLE-INCOME EARNERS. THE LEVY WILL BEGIN ON THE SAME DATE THAT TAX CUTS BEGIN UNDER THE GOVERNMENT'S TAX REFORM. IT WILL REDUCE ONLY SLIGHTLY-AND FOR ONLY ONE YEAR-THE TAX CUTS THAT THOSE TAXPAYERS WILL RECEIVE. FOR EXAMPLE, A SINGLE TAXPAYER WITH AN INCOME OF \$60,000 A YEAR WILL RECEIVE A TAX CUT OF NEARLY \$62 A WEEK AND THE LEVY WILL REDUCE THAT FOR ONE YEAR ONLY BY ABOUT \$6 A WEEK. WITH THIS APPROACH, 80 PER CENT OF ALL AUSTRALIAN TAXPAYERS WILL RECEIVE THEIR TAX CUTS IN FULL FROM 1 JULY NEXT YEAR.

THE LEVY WILL COLLECT APPROXIMATELY \$900 MILLION IN 2000-01. THAT SUM WILL SUBSTANTIALLY COVER THE EAST TIMOR DEFENCE COSTS ARISING IN THAT YEAR. AFTER 2000-01, THE EAST TIMOR DEFENCE COSTS CAN BE ABSORBED BY THE BUDGET WHILST MAINTAINING STRONG SURPLUSES. THE COMMUNITY, I HOPE, WILL SUPPORT THIS MEASURE AS A FAIR AND REASONABLE ONE TO HELP FUND THE BULK OF OUR DEFENCE COSTS RELATING TO EAST TIMOR IN 2000-01. THE ONLY ALTERNATIVE TO THIS SPECIAL AND TEMPORARY LEVY WOULD BE FURTHER CUTS IN GOVERNMENT SPENDING.

GIVEN THE EXPENDITURE SAVINGS OF EARLIER YEARS, THE NECESSARY FUNDS OF APPROXIMATELY \$1 BILLION COULD NOT HAVE BEEN OBTAINED WITHOUT PARING BACK IN ESSENTIAL AREAS OF SOCIAL EXPENDITURE, SUCH AS HEALTH, EDUCATION AND WELFARE FOR THE NEEDY. THE GOVERNMENT DOES NOT BELIEVE

IT WOULD BE FAIR TO DO THIS. THE LEVY I HAVE ANNOUNCED IS THE FAIR AND DECENT WAY TO DEAL WITH THIS UNEXPECTED BUDGET DIFFICULTY IN THE NEXT FINANCIAL YEAR. THERE WILL OF COURSE BE OTHER REQUIREMENTS FOR DEFENCE THAT DO NOT RELATE TO OUR INVOLVEMENT IN EAST TIMOR, SUCH AS COMPLETING THE SUBMARINES AND OTHER PROCUREMENT DECISIONS. THESE WILL BE CONSIDERED IN THE NORMAL BUDGET PROCESS AND IN THE CONTEXT OF NEXT YEAR'S DEFENCE WHITE PAPER.

AUSTRALIANS FROM ALL WALKS OF LIFE HAVE RESPONDED SYMPATHETICALLY TO THE SUFFERING OF THE EAST TIMORESE PEOPLE, AND I WANT TO ACKNOWLEDGE THE GREAT WILLINGNESS OF SO MANY INDIVIDUALS AND ORGANISATIONS TO HELP IN DIFFERENT WAYS. IN PARTICULAR, AUSTRALIAN NON-GOVERNMENT ORGANISATIONS, INCLUDING THE CHURCHES, HAVE PLAYED AN IMPORTANT ROLE. AUSTRALIAN BUSINESS CAN ALSO PLAY A SIGNIFICANT PART. THE GOVERNMENT CONVENED A MEETING WITH BUSINESS GROUPS AND AID AGENCIES IN RESPONSE TO THE STRONG INTEREST FROM THE BUSINESS COMMUNITY IN HELPING WITH RECONSTRUCTION. I WARMLY WELCOME THE CONTRIBUTIONS ALREADY MADE OR FORESHADOWED BY THE TIMBER, CONSTRUCTION, POWER AND PHARMA CEUTICAL INDUSTRIES. THE NORTHERN TERRITORY GOVERNMENT HAS ALSO PROVIDED VALUABLE HELP. DARWIN WILL CONTINUE TO SERVE AS THE PRINCIPAL LOGISTICS BASE FOR UNTAET IN THE PERIOD AHEAD.

EAST TIMOR'S RESOURCES ARE LIMITED. NOW THAT IT IS ENTERING THE PHASE OF RECONSTRUCTION AND NATION BUILDING, IT WILL NEED A GREAT DEAL OF INTERNATIONAL SUPPORT. AUSTRALIA WILL ACT GENEROUSLY, BUT WE CANNOT CARRY THE FULL BURDEN ALONE. THE GOVERNMENT IS ENCOURAGING OTHERS TO MAKE SUBSTANTIAL COMMITMENTS. EVEN WITH INTERNATIONAL HELP, HOWEVER, EAST TIMOR'S FUTURE PROSPERITY CAN ULTIMATELY BE ASSURED ONLY BY THE EAST TIMORESE THEMSELVES. ONLY THEY CAN PUT IN PLACE THE DEMOCRATIC, TRANSPARENT AND ACCOUNTABLE POLITICAL AND ECONOMIC INSTITUTIONS ON WHICH A VIABLE STATE CAN BE CREATED.

I WAS THEREFORE PLEASED WITH THE APPROACHES MR XANANA GUSMAO LAID OUT IN MY MEETING WITH HIM IN OCTOBER. HE IS REALISTIC ABOUT THE CHALLENGES THAT FACE EAST TIMOR. HIS COMMITMENT TO PURSUING RECONCILIATION IS ENCOURAGING, AND WE HOPE HE WILL WORK CLOSELY WITH UNTAET. HE UNDERSTANDS THE IMPORTANCE FOR EAST TIMOR'S FUTURE OF A GOOD RELATIONSHIP WITH INDONESIA. PRESIDENT WAHID'S READINESS TO MEET MR GUSMAO IN ORDER TO LAY SOUND FOUNDATIONS FOR THE FUTURE IS ALSO TO BE PARTICULARLY WELCOMED. AUSTRALIA'S OWN RELATIONSHIP WITH INDONESIA HAS BEEN UNDER SOME STRAIN BECAUSE OF EAST TIMOR. NOW THAT EAST TIMOR'S STATUS HAS BEEN RESOLVED, BOTH SIDES CAN MOVE ON. AUSTRALIA AND INDONESIA ARE NEIGHBOURS, AND IT MAKES SENSE FOR US TO COOPERATE CLOSELY. AUSTRALIA HAS LONG BEEN A GOOD FRIEND TO INDONESIA, AND WE GAVE IT STRONG SUPPORT DURING ITS RECENT ECONOMIC CRISIS.

INDONESIA HAS A NEW DEMOCRATIC GOVERNMENT AND AN ELECTED PRESIDENT WHO HAS A RECORD OF COMMITMENT TO HUMAN RIGHTS AND TOLERANCE AND TO ECONOMIC AND POLITICAL REFORM. BOTH COUNTRIES HAVE IMPORTANT INTERESTS IN COMMON. I AM CONFIDENT THAT ON THE BASIS OF MUTUAL RESPECT BOTH OF US CAN BUILD A MUTUALLY ADVANTAGEOUS AND PRAGMATIC RELATIONSHIP.

MR SPEAKER, LET ME CONCLUDE BY AGAIN EXPRESSING ON BEHALF OF ALL AUSTRALIANS THE IMMENSE PRIDE WE FEEL IN THE CONTRIBUTION OF THE SERVING MEN AND WOMEN OF OUR NATION NOW IN EAST TIMOR. THE SUCCESS OF THE OPERATION THUS FAR IS A TRIBUTE TO THEIR SKILLS AND THEIR PROFESSIONALISM. THEY ARE WELL TRAINED, THEY ARE SUPERBLY LED, AND EACH DAY THEY BRING GREAT CREDIT TO THIS COUNTRY AND TO THOSE VALUES

IN WHICH WE ALL BELIEVE.

ALTHOUGH CASUALTIES TO DATE HAVE BEEN THANKFULLY LIMITED, WE CONTINUE TO SHARE THE ANXIETY OF FAMILY AND OTHER LOVED ONES HERE IN AUSTRALIA FOR THE SAFETY OF THOSE SERVING IN EAST TIMOR. WE WISH THEM ALL A SAFE RETURN HOME. I PRESENT A COPY OF MY MINISTERIAL STATEMENT, AND I COMMEND THE STATEMENT TO THE HOUSE.

TEXT ENDS